COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 55/LM/May07

In the matter between:

Airports Company South Africa	Acquiring Firm
And	
Denel (Pty) Ltd **Aero Eiendomme (Pty) Ltd**	Target Firms

Panel	:	D Lewis (Presiding Member), Y Carrim (Tribunal Member) and M Mokuena (Tribunal Member)
Heard on	:	20 July 2007
Order issued on	:	20 July 2007
Reasons issued on	:	11 September 2007

Reasons for Decision

Approval

1]On 20 July 2007, the Tribunal approved the merger between Airports Company South Africa Ltd and Denel (Pty) Ltd and Aero Eiendomme (Pty) Ltd. The reasons follow below.

The Transaction

2]The transaction involves the disposal by Denel (Pty) Ltd ("Denel") and Aero

Eiendomme (Pty) Ltd ("Aero") of certain properties located adjacent the O.R. Tambo International Airport to Airports Company South Africa (Ltd) ("ACSA").[1]

3]The primary acquiring firm is ACSA which is controlled by The Minister of Transport of the Republic of South Africa ("the State") holding 74,6% of the shares in ACSA and ADRIASA holding 20% of the shares in ACSA. ADRIASA is 100% controlled by the Public Investment Corporation Ltd ("PIC"). ACSA has exclusive control over the assets and liabilities of nine airports in South Africa, one of which is the OR Tambo International Airport.

4]The primary target firms are Denel and its wholly owned subsidiary Aero. Denel is a private company, incorporated in terms of the Companies Act 61 of 1973 and the Government is the sole shareholder. Denel is managed by a Board of Directors, appointed by the Minister of Public Enterprises and it is involved in the aviation and military industries.

5]The Government controls both the acquiring and target firms.

Rationale for the transaction

6]ACSA requires land, inter alia, for the construction of a new runway, for the provision of airline maintenance and support facilities and for other aviation related commercial development whilst the transaction will strengthen Denel's financial liquidity.

7]Subsequent to this transaction ACSA will lease the properties back to Denel for a period of 5 years after which it will demolish most the office properties for purposes of constructing a runway and other related airport infrastructure.

The relevant market and the impact on competition

8]The overlap between the parties' property portfolios are in Industrial

1 The properties are Portions 139, 57, 131, 253, 254, 255 and part of portions 140 and 56

properties and Grade B and C Office Space properties in the Kempton Park node, specifically the area adjacent to OR Tambo Airport.

9]Although the merged firm will initially hold a market share of 31%, i.e. 376 032 m^2, in the industrial properties market immediately after the transaction this will decrease to only 16%, i.e. 87 860m^2, when the buildings are demolished to build the new runway. With regard to the office properties none will remain and the market share will thus drop from 59% to zero after the lease agreement with Denel expires in 5 years.

10]In light of the above we find that the transaction would not substantially prevent or lessen competition the relevant markets.

CONCLUSION

11]There are no significant public interest issues and we accordingly approve the transaction.

____________________ **11September 2007**

D Lewis Date

Y Carrim and M Mokuena concurring.

Tribunal Researcher: **R Badenhorst**

For the merging parties: Hofmeyr Herbstein & Gihwala Inc

For the Commission: Leonard Lamola (Mergers & Acquisitions)